January 10, 2015

VIA ELECTRONIC FILING

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, GN Docket No. 12-268; Broadcast Incentive Auction Comment Public Notice Auction 1000, 1001 and 1002, AU Docket No. 14-252

Dear Ms. Dortch:

On January 9, 2015, undersigned Executive Director of the Expanding Opportunities for Broadcasters Coalition (the "Coalition"), Richard Bodorff and Ari Meltzer of Wiley Rein LLP, and five representatives of the licensees of auction-eligible television stations[1] met separately with: (1) FCC Chairman Tom Wheeler, Renee Gregory of Chairman Wheeler's office, Incentive Auction Task Force Chairman Gary Epstein and Vice Chairman Howard Symons, and Media Bureau Chief William Lake; and (2) Priscilla Delgado Argeris and Valery Galasso of Commissioner Jessica Rosenworcel's office.

During each meeting, the undersigned encouraged the FCC to remain steadfast in its plans to conduct the Incentive Auction in 2016. The AWS-3 auction demonstrates the overwhelming demand for mobile spectrum. Although the FCC should account for the unprecedented success of the AWS-3 auction in the procedures that it adopts in the Auction Procedures Public

[1] Pursuant to the Media Bureau's February 28, 2014 public notice (DA 14-268), broadcasters may participate in meetings with Commission staff to discuss incentive auction matters without disclosing their identities. Together, the broadcast participants own both full power and Class A television stations in a number of markets, including stations in several of the ten largest DMAs.

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Notice, it should not use the AWS-3 auction as a basis to delay the Incentive Auction. Wireless carriers have both the incentive and the ability to secure an abundance of capital to bid for the far superior spectrum that will be available in the Incentive Auction.

The Coalition representatives expressed certain concerns about the proposals in the Auction Comment Public Notice regarding opening prices to broadcast stations, dynamic reserve pricing ("DRP"), and transparency during the auction.

With regard to reverse auction opening prices, the Coalition representatives explained that the proposals in the Auction Comment Public Notice cannot be reconciled with the pricing policy that the Commission adopted in the Incentive Auction Report and Order. Specifically, the Report and Order states that the Commission will establish price offers to broadcasters based only on a station's "impact on the repacking process."[2] Thus, the Report and Order states, "a station with a high potential for interference will be offered a price that is higher than a station with less potential for interference to other stations."[3] As the Coalition representatives explained, however, the methodology proposed in the Auction Comment Public Notice results in vastly different starting prices—sometimes hundreds of millions of dollars apart—to stations with similar potential for interference and, in some cases, would result in substantially lower offers to stations with greater potential for interference. This is because the FCC is proposing to use one set of factors (including the population within a station's contour) to establish prices and a different set of factors (based on actual interference to other stations) to determine whether a station can be repacked. Exhibit A, hereto, includes three examples of the disparate results produced by this use of varied inputs.

On DRP, the Coalition representatives explained that the solution proposed by the Commission is overly complicated and will introduce

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[2] *Expanding the Economic and Innovation Opportunities for Spectrum Through Incentive Auctions*, *Report and Order*, 29 FCC Rcd. 6567 ¶ 451 (2014).
[3] *Id.* ¶ 450.

EXPANDING OPPORTUNITIES FOR BROADCASTERS COALITION

unnecessary impairment and potential inter-service interference to the auction and the post-auction 600 MHz band.

Finally, on transparency, the Coalition representatives explained that while they understand that there may be a valid justification for restricting the release of some ***limited*** amount of information during the reverse auction, the Commission should adopt rules consistent with its recognition of the need to provide broadcasters with the information they need to make sensible business judgments and an opportunity for price discovery.

The Coalition committed to providing fact-driven alternative proposals, developed in consultation with renowned auction expert Peter Cramton, on each of these issues that will enable the FCC to conduct the auction as planned in 2016, clear 126 MHz in the reverse auction, and produce substantially greater public welfare than the proposals set forth in the Auction Comment Public Notice. An abstract of Dr. Cramton's paper is attached as Exhibit B, hereto.

Pursuant to Section 1.1206 of the Commission's rules, attached hereto are copies of the written presentations that were provided at each meeting.

Respectfully Submitted,

/s/ Preston Padden /s/

Preston Padden
Executive Director
Expanding Opportunities for
Broadcasters Coalition

cc: Chairman Tom Wheeler, Priscilla Delgado Argeris, Gary Epstein, Valery Galasso, Renee Gregory, William Lake, and Howard Symons

EXHIBIT

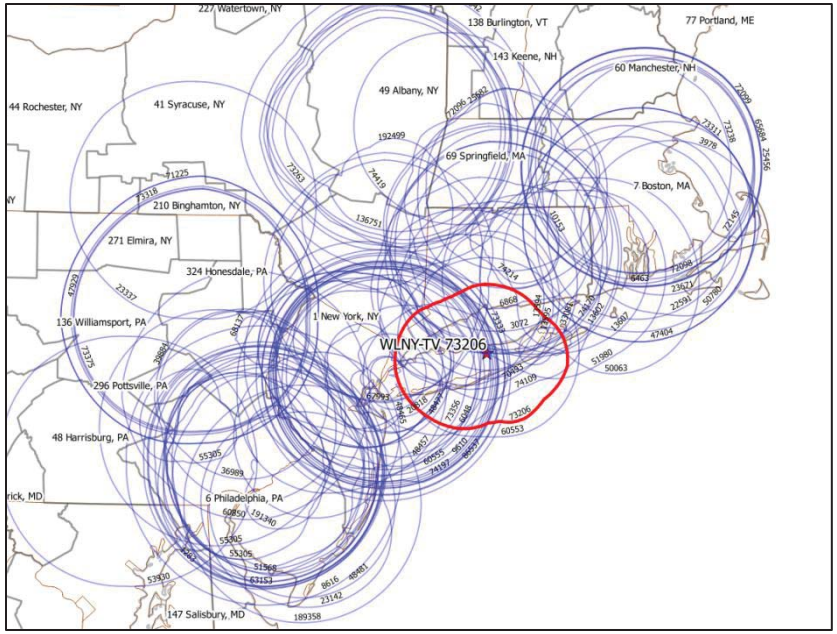
A

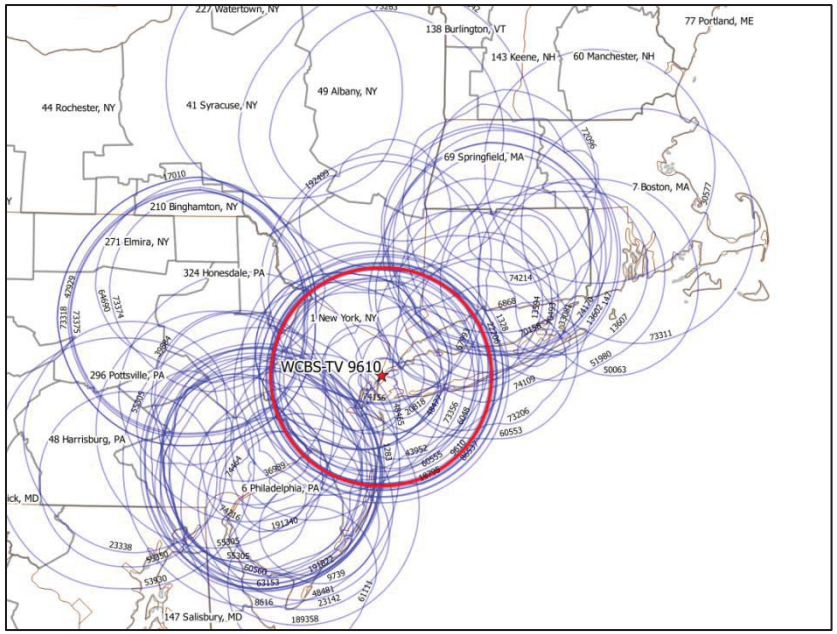
New York

Both Stations Block all New York DMA Stations. Both owned by CBS.
Similar Contribution to Clearing Spectrum: $300 million price difference

WLNY-TV (FacID 73206)
Covered Pops: 5.8 million
Interference Count: 157
Blocked Pops: 23.1 million
FCC Starting Price: $455 million
Unit Price: $3.28/MHzBlockedPOP

WCBS-TV (FacID 9610)
Covered Pops: 19.3 million
Interference Count: 129
Blocked Pops: 23.5 million
FCC Starting Price: $753 million
Unit Price: $5.34/MHzBlockedPOP



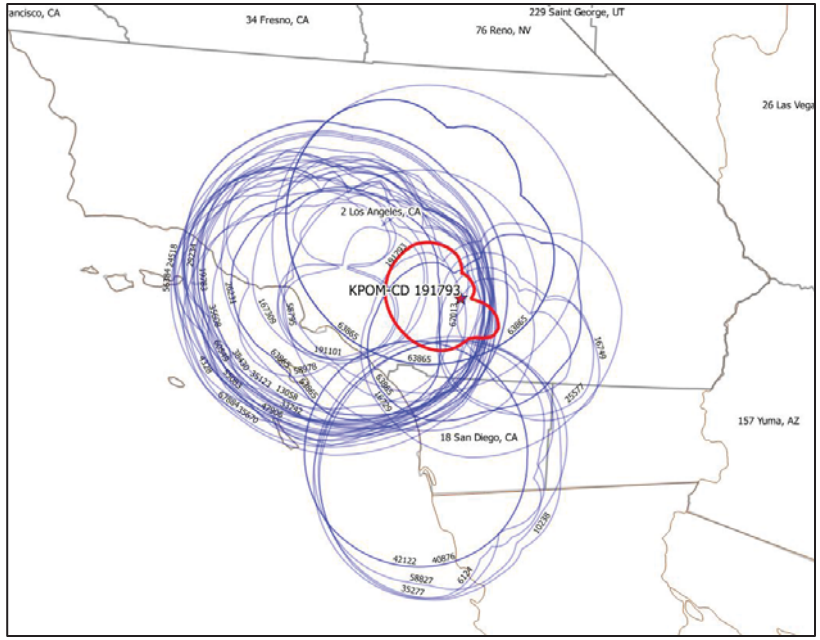


Red Contour is the subject station. Blue contours are for all the stations that the subject station blocks co-channel. Similar maps can be prepared for adjacent channel interference.

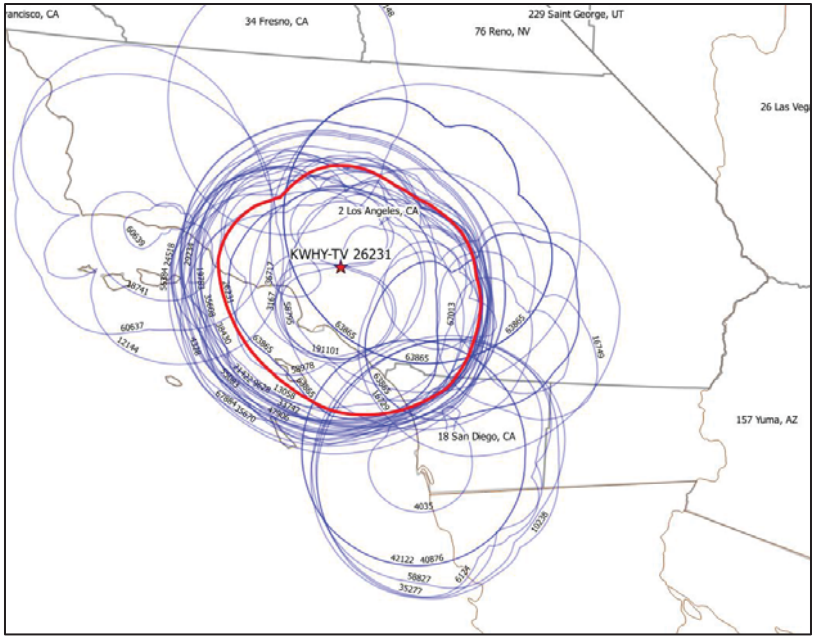
Los Angeles

Both stations block every Mt Wilson/Harvard station
Similar Contribution to Clearing Spectrum: $320 million price difference

KPOM-CD (FacID 191793)
Covered Pops: 2.1 million
Interference Count: 86
Blocked Pops: 17.7 million
FCC Starting Price: $203 million
Unit Price: $1.91/MHzBlockedPOP



KWHY-TV (FacID 26231)
Covered Pops: 15.5 million
Interference Count: 77
Blocked Pops: 18.6 million
FCC Starting Price: $521 million
Unit Price: $4.67/MHzBlockedPOP



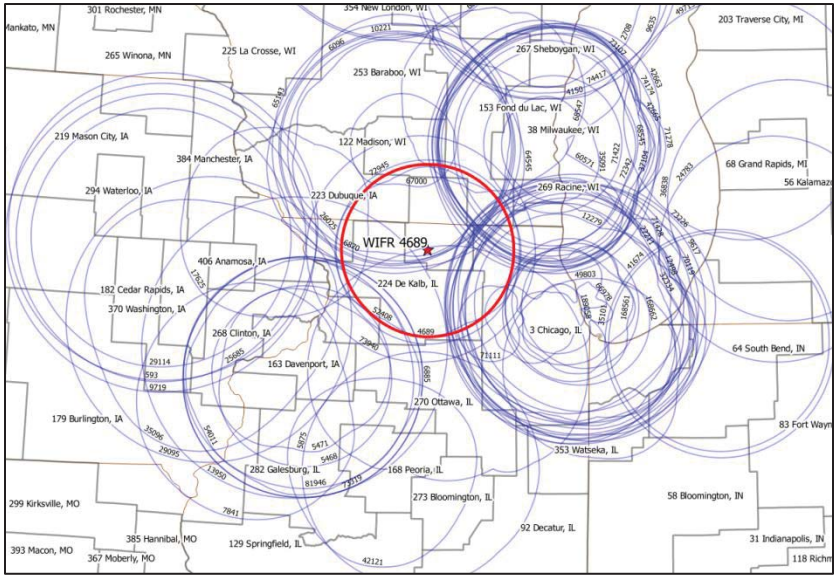
Red Contour is the subject station. Blue contours are for all the stations that the subject station blocks co-channel. Similar maps can be prepared for adjacent channel interference.

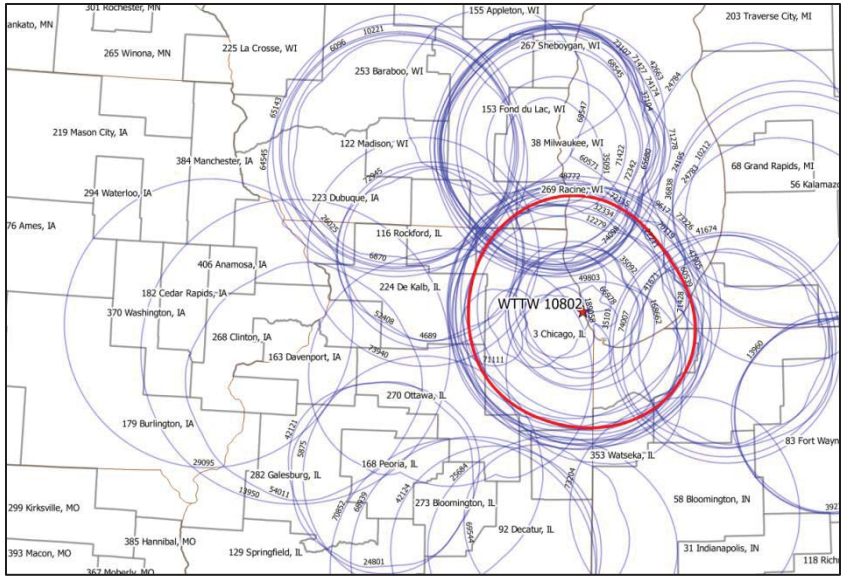
Chicago

Both stations block every station in Chicago
Similar Contribution to Clearing Spectrum: $330 million price difference

WIFR (FacID 4689)
Covered Pops: 1.1 million
Interference Count: 118
Blocked Pops: 14.1 million
FCC Starting Price: $173 million
Unit Price: $2.04/MHzBlockedPOP

WTTW (FacID 10802)
Covered Pops: 9.7 million
Interference Count: 116
Blocked Pops: 13.3 million
FCC Starting Price: $507 million
Unit Price: $6.35/MHzBlockedPOP





Red Contour is the subject station. Blue contours are for all the stations that the subject station blocks co-channel. Similar maps can be prepared for adjacent channel interference.

EXHIBIT

B

Design of the Reverse Auction in the FCC Incentive Auction

An expert report in response to Comment Public Notice FCC 14-191

Peter Cramton, Hector Lopez, David Malec and Pacharasut Sujarittanonta[1]

4 January 2015

Abstract

We consider important design issues of the reverse auction, a key and innovative part of the FCC's Incentive Auction. In the reverse auction, broadcasters compete to repurpose television broadcast spectrum for mobile broadband use. The Comment Public Notice (FCC 14-191) outlined the basic structure of the reverse auction. We take that basic structure as given and then examine critical elements of the design to maximize the FCC's objectives of efficiency, simplicity, transparency, and fairness.

Based on extensive simulation analysis of the FCC's basic design, we identify important enhancements to the design that maintain its basic structure, yet improve the chance of a successful auction. This is accomplished by strengthening incentives for broadcaster participation and relying on competitive forces to determine auction clearing prices. Both important steps are warranted given the latest price information from the ongoing AWS-3 auction, which illustrates the high value carriers place on mobile broadband spectrum. At the auction's winter break, spectrum values as expressed by carriers in a competitive auction are over twice Wall Street's pre-auction estimate—the current price for paired spectrum is $2.70/MHzPop or $83.4 billion for 10 lots of 5+5 MHz spectrum.

In our simulations, we clear 126 MHz of spectrum at a cost that is well within plausible revenues from the forward auction. This is accomplished with an *improved pricing formula* that more accurately measures a station's contribution to clearing spectrum and either *no Dynamic Reserve Prices (DRP) or restricted DRP*. DRP is a clever trick to lower prices to broadcasters through selective impairment – impairment that is destructive of spectrum value. The FCC should seek to reallocate as much spectrum as possible, and this is accomplished by convincing broadcasters that participation will be rewarded with competitive prices, not constrained by clever impairment. In addition, we examine improved information policies that disclose additional information to reverse auction

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[1] Peter Cramton is Professor of Economics at the University of Maryland; since 1983, he has conducted widely-cited research on auctioning many related items, and has applied that research to major auctions of radio spectrum, electricity, financial securities, and other products. Hector Lopez is a doctoral candidate at the Economics Department of the University of Maryland, specializing in market design. David Malec is a post-doc at the Economics Department of the University of Maryland; he is a computer scientist specializing in algorithmic game theory. Pat Sujarittanonta is Assistant Professor of Economics at Chulalongkorn University, specializing in market design. The four authors comprise Cramton Associates, a consultancy providing expert advice on auctions and market design. We have benefitted from the extensive help of many US broadcasters. We are grateful to members of the Expanding Opportunities for Broadcasters Coalition for funding this research.

participants to promote desirable price and assignment discovery and, importantly, broadcaster participation, while discouraging undesirable behavior, such as collusion and coordinated action.

Relative to the FCC's proposal outlined in the Comment PN, our enhanced proposal is more robust, more efficient, simpler, more transparent, fairer and far more likely to lead to a successful auction.